

Message Text

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12

ACTION EA-14

INFO OCT-01 EUR-25 NEA-10 ISO-00 EB-11 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04

PRS-01 USIA-15 DRC-01 AF-10 /208 W

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R 150935Z MAR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 649

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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BEIRUT PASS USINT BAGHDAD

E.O. 11652 NA

TAGS: ENRG JA IZ

SUBJ: ENERGY: JAPAN-IRAQ CRUDE OIL PRICE NEGOTIATIONS

REF: A. TOKYO 75 B. TOKYO 1129 C. TOKYO 2473

1. DURING JANUARY VISIT TO BAGHDAD, MITI MINISTER NAKASONE
INITIALED DRAFT OUTLINE OF JAPAN-IRAQ ECONOMIC AND
TECHNICAL COOPERATION AGREEMENT CALLING FOR EXPORT TO JAPAN OF
SUBSTANTIAL QUANTITIES OF OIL OVER NEXT 10 YEARS (SEE
REFTELS B AND C). A KEY POINT OF AGREEMENT, PRICE OF
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CRUDE OIL, WAS LEFT INDEFINITE, HOWEVER. PRESS REPORTS

MAR 15 THAT INITIAL MITI EFFORTS TO NEGOTIATE CRUDE OIL PRICE HAVE ENDED IN FAILURE. IRAQIS REPORTEDLY INSISTED ON SETTING POSTED PRICE OF \$11.67 PER BARREL AS EXPORT PRICE. JAPANESE OFFERED SUBSTANTIALLY LESS. PRESS ALSO REPORTS IRAQI SIDE EXPRESSED GENERAL UNHAPPINESS OVER FACT THAT JAPAN AND WESTERN COUNTRIES IN RECENT WEEKS ATTEMPTING TO BUY OIL AT LOW PRICES FROM OPEC MEMBERS.

2. BOTH MITI AND MITSUBISHI CORP. SOURCES HAVE CONFIRMED SUBSTANCE OF PRESS REPORTS. LATTER SOURCE NOTED THAT WHILE PRICE NEGOTIATING MISSION WAS NOMINALLY A PRIVATE ONE WITH NO OFFICIAL GOJ PARTICIPATION, IN FACT COMPANY OFFICIALS WHO TOOK PART (INCLUDING ONE FROM MITSUBISHI) WERE DETAILED TO MITI FOR THE PERIOD AND WERE NOT ALLOWED TO CONSULT WITH THEIR EMPLOYERS WHILE TALKS WERE IN PROGRESS. MITI SOURCE ADDED THAT FURTHER NEGOTIATIONS WOULD TAKE PLACE, BUT THAT TIME AND PLACE HAD NOT YET BEEN DECIDED.

3. COMMENT: TALKS IN BAGHDAD WENT VERY MUCH AS JAPANESE OIL INDUSTRY HAD EXPECTED (SEE REF C). JAPANESE APPARENTLY UNWILLING TO OFFER MORE THAN \$8-9/BBL AND IRAQIS UNWILLING TO ACCEPT LESS THAN POSTED PRICE. WE WOULD EXPECT THAT IT WOULD BE AT LEAST SEVERAL MORE WEEKS BEFORE JAPANESE SCHEDULE FURTHER TALKS WITH IRAQIS.

4. SEE SEPTTEL ON TALKS RE CONSTRUCTION OF REFINERY CALLED FOR IN DRAFT JAPAN-IRAQ ECONOMIC COOPERATION AGREEMENT. SHOESMITH

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